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IN THE
Supreme Court of the United States

OCTOBER TERM, 1947.

No. 481

EDWIN B. H. TOWER, JR.,

Petitioner,

vs.

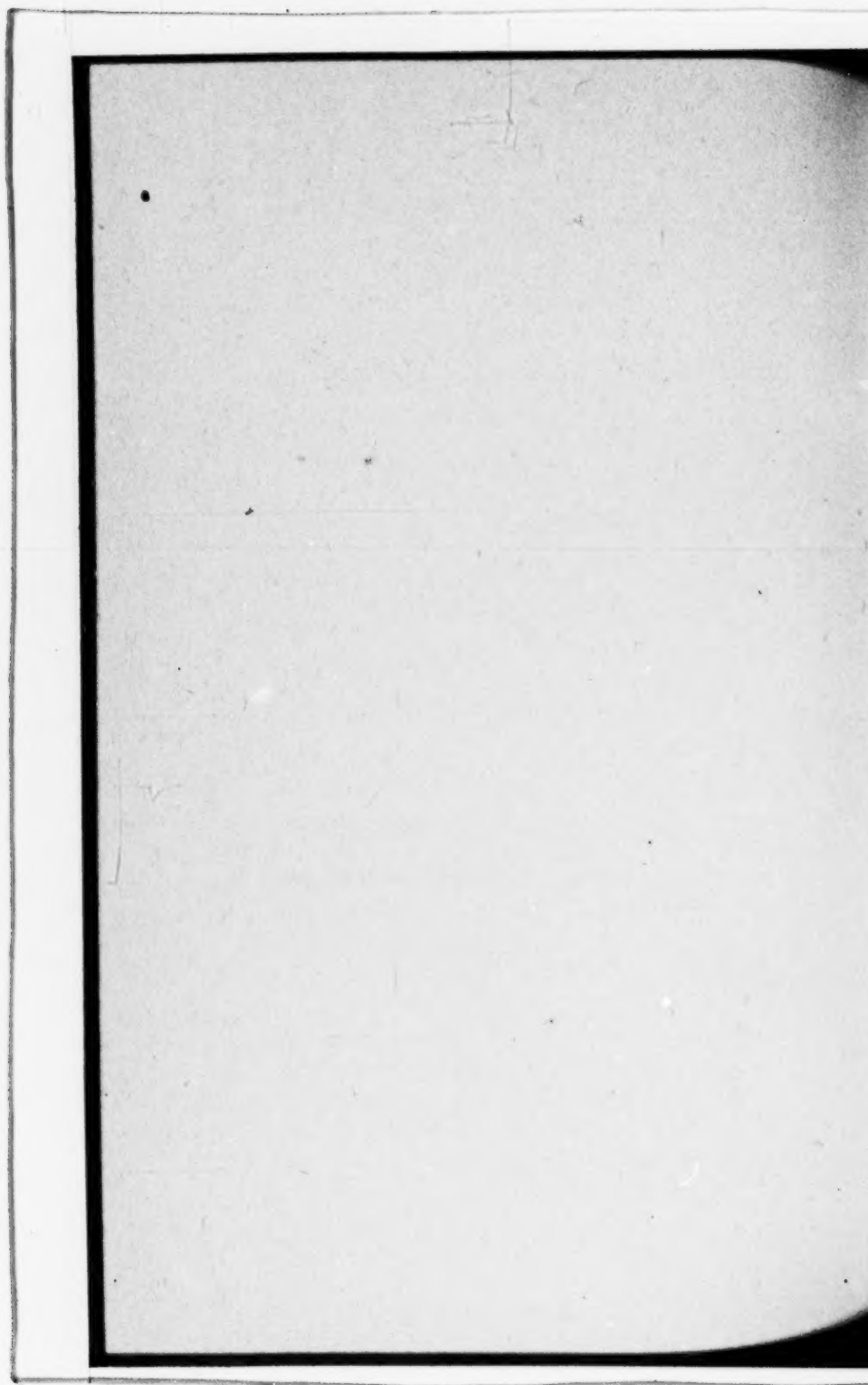
WATER HAMMER ARRESTER, CORP.,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES CIRCUIT COURT OF APPEALS
FOR THE SEVENTH CIRCUIT AND BRIEF IN SUP-
PORT THEREOF.

↓ HAROLD OLSEN,

Counsel for Petitioner.



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PETITION.

*To the Honorable, the Chief Justice, and the Associate
Justices of the Supreme Court of the United States:*

Your petitioner, Edwin B. H. Tower, Jr., respectfully prays that a writ of certiorari issue to the United States Circuit Court of Appeals for the Seventh Circuit to review a judgment of that court entered September 18, 1947 (R. 54). A certified transcript of the record in the case, relevant to the question presented, including the proceedings in said Circuit Court of Appeals, together with the necessary additional copies thereof, has been filed in compliance with Rule 38 of the Rules of this Court.

Summary and Short Statement of the Matter Involved.

This is a suit instituted by the respondent for a declaratory judgment as to the validity and infringement of United States Letters Patent 2,273,766 for Water Hammer Arresters, granted to petitioner on February 17, 1942.

The District Court entered a judgment holding the patent invalid. The opinion of the District Court is reported in 66 F. Supp. 732.

Petitioner appealed to the Circuit Court of Appeals for the Seventh Circuit which affirmed the judgment of the District Court. The opinion of the Circuit Court of Appeals is reported in 156 F. (2) 775.

Thereafter petitioner filed in this Court a petition for a writ of certiorari upon a question of jurisdiction, which said petition was denied by this Court on January 10, 1947 (— U. S. —, No. 717, October Term, 1946).

After the trial of the case and while the appeal was pending in the Circuit Court of Appeals, petitioner filed a motion to dismiss the suit upon the ground that it was not being prosecuted by the real party in interest (R. 15).

Said motion was supported by the affidavits of Harvey W. Peters (R. 17), of the petitioner (R. 22), and of Ulmont O. Cumming (R. 53).

In substance, the said motion to dismiss and the supporting affidavits show that, prior to the trial of the case in the District Court, the plaintiff had sold its business in the manufacture and sale of water hammer arresters to the Wade Manufacturing Company, a division of Woodruff & Edwards, Inc. of Elgin, Illinois, and that, as a result of such sale of its business, the plaintiff no longer had any standing to maintain the action. Said motion and supporting affidavits show that the sale of its business was sup-

pressed and concealed by the plaintiff so that there was no opportunity for the defendant to take steps to join or substitute the assignee as a party to the action, or for the District Court to order such substitution or joinder in accordance with Rule 25 (c) of the Federal Rules of Civil Procedure.

In answer to petitioner's said motion to dismiss, respondent filed the affidavits of James C. Wade (R. 25), George Edwards (R. 28) and Louis Weinhausen (R. 29).

In substance, these affidavits allege that the respondent had not sold its business to the Wade Manufacturing Company but that said Company is merely acting as "agent" for the respondent.

Upon this showing, the Court of Appeals, in its opinion upon the merits of the appeal, denied petitioner's motion to dismiss (156 F. (2) 775, 781).

Thereafter, and in April 1947, the respondent filed a suit against the petitioner in the Circuit Court of Milwaukee County, Wisconsin, asserting that respondent was damaged by the petitioner's having taken out in his own name the patent which was previously held invalid in this suit.

In connection with the suit pending in the Circuit Court of Milwaukee County, petitioner took discovery depositions of an officer and a director of the respondent on May 26 and June 3, 1947. In the course of taking said depositions, petitioner learned for the first time the exact nature of the relationship between the respondent and the said Wade Manufacturing Company and procured for the first time copy of a so-called "license agreement" (R. 31) which theretofore had been concealed and suppressed by the respondent.

Said "license agreement" was entered into October 2, 1943 (nearly six months before the trial of this case) and

contains the provision that the respondent "will not continue or again engage in the manufacture of water hammer arresters or make any information regarding such devices available to any third parties for a period of ten (10) years from the date of this agreement" (R. 33).

Also, in the course of taking said discovery depositions, petitioner learned for the first time of an agreement secretly entered into in March 1939 between the President of his client, Fleming Manufacturing Company, and the Cook Electric Company of Chicago, by which said agreement petitioner's client, Fleming Manufacturing Company, was deprived of the opportunity of obtaining bellows which were necessarily used in the construction of water hammer arresters. A copy of said secret agreement is in the record at page 40.

Notwithstanding the so-called "license agreement" (R. 31) by which the respondent had agreed not to engage in the business of manufacturing and selling water hammer arresters for a period of ten years, respondent's President falsely testified on the trial that the respondent was engaged in the manufacture and sale of water hammer arresters and he identified a blueprint as showing the device which the respondent was then making and selling.

When the petitioner discovered the true nature of the agreement between the respondent and the said Wade Manufacturing Company, and that the affidavits previously filed by the respondent (R. 25, 28, 29) falsely characterized that relationship as one of agency, and in addition, petitioner learned that respondent's President had falsely testified upon the trial as to the respondent's being engaged in the business affected by the litigation, he filed in the Circuit Court of Appeals a petition to vacate the judgment herein on the ground that the same was obtained by fraud (R. 1).

On September 18, 1947, the Circuit Court of Appeals ordered that said petition be filed *instanter* together with the briefs submitted by the parties, and thereupon ordered that the said petition to vacate the judgment be denied (R. 54).

It is said order denying petitioner's said petition to vacate the judgment upon the ground of fraud that petitioner seeks to have reviewed by this Court.

Questions Presented.

The petition to vacate the judgment on the ground that the same was obtained by fraud was denied by the Court of Appeals without opinion.

It is not to be assumed that the Court of Appeals had any doubt about its jurisdiction to entertain this petition because that question has been definitely settled by this Court. Therefore, that question is not raised in this petition. The following are the questions presented:

1. May a suitor for a declaratory judgment as to the validity and infringement of a patent continue the action where, prior to trial, he has sold the business affected by the patent to a third party and has agreed that he will not continue or again engage in that business for a period of ten years, and where, prior to trial, he has been absolved by the patent owner from any liability for past infringement?

2. May a suitor in equity who has sold the business affected by the litigation actively suppress and conceal the fact of the assignment and thereby prevent his adversary from fully exhibiting his case and from taking the benefit of any judgment favorable to the adversary which might have been rendered?

3. Where, by fraud and deception, a judgment is se-

cured in a case in which there was in fact no adversary trial or decision upon the issue, may the judgment stand when the fraud and deception are revealed?

4. Is the question of substitution or joinder of a transferee of interest under Rule 25(c) a matter for election by the parties or is it a matter solely within the discretion of the Court?

Reasons Relied Upon For the Grant of a Writ of Certiorari.

The discretionary power of this Court is invoked upon the following grounds:

(1) The Circuit Court of Appeals for the Seventh Circuit has decided an important question relating to the vacating of judgments obtained by fraud, in a manner which is in conflict with the applicable decisions of this Court.

(2) The Circuit Court of Appeals for the Seventh Circuit has interpreted Rule 25 (c) of the Federal Rules of Civil Procedure in a manner which is believed to be untenable and directly in conflict with the purport and intent of the rule.

Wherefore, your petitioner respectfully prays that a writ of certiorari be issued out of and under the seal of this Court directed to the United States Circuit Court of Appeals for the Seventh Judicial Circuit, commanding said Court to certify and send to this Court, on a day to be designated, a full transcript of the record, relevant to the issue raised by this petition, and all proceedings in the Court of Appeals had in this case, to the end that this case may be reviewed and determined by this Court; that the judgment of the Court of Appeals for the Seventh Circuit be reversed, and that petitioner be granted such other and further relief as may to this Court seem proper.

HAROLD OLSEN,
Counsel for Petitioner.

Dated: Chicago, Illinois, December 15, 1947.

BRIEF IN SUPPORT OF PETITION FOR CERTIORARI.

The Opinion of the Court Below.

The Court of Appeals denied the petition to vacate the judgment without opinion. A copy of its order is in the record at page 54.

Jurisdiction.

The grounds of jurisdiction are:

1. The date of the judgment to be reviewed is September 18, 1947.

2. The statute under which the jurisdiction is invoked is § 240-A of the Judicial Code, 28 U.S.C. § 347, as amended by the Act of February 13, 1925.

3. Cases believed to sustain the jurisdiction of this Court to entertain this petition and grant the writ, are:

Hazel-Atlas Glass Company v. Hartford-Empire Company, 322 U. S. 238.

Powers-Kennedy Contracting Corp. v. Concrete Mixing Co., 282 U. S. 175.

Precision Instruments Manufacturing Company v. Automotive Maintenance Machinery Company, 324 U. S. 806.

Statement of the Case.

The facts are sufficiently stated in the petition.

Specification of Errors.

The errors which petitioner will urge, if the writ of certiorari be granted, are that the Circuit Court of Appeals for the Seventh Circuit erred:

1. In denying the petition to vacate the judgment

on the ground of fraud when the record clearly establishes that a fraud was committed upon the Court and the petitioner in that by concealment and suppression of the fact that respondent had sold its business, respondent obtained a judgment in a case where there was no adversary trial.

2. In interpreting Rule 25(c) of the Federal Rules of Civil Procedure in such a way as to circumvent the requirement of the rule that the Court shall direct the substitution or joinder of parties in case there has been a transfer of interest or devolution of liability.

Summary of the Argument.

The points of the argument follow the questions presented and therefore are not repeated here.

ARGUMENT.

Point I.

Where, after judgment, it is made clearly to appear by newly discovered evidence that the judgment was obtained by the prevailing party by fraudulent concealment of its lack of interest in the litigation so that there was no adversary trial, the judgment should be vacated.

It may be conceded, but only for the purpose of the argument here to be made, that the respondent was engaged in a business which might be affected by the patent in suit at the time respondent instituted this action for a declaratory judgment respecting the validity of petitioner's patent.

It now appears, for the first time, that five months prior to the trial of the case respondent had sold its business to a third party, and in the contract of sale respondent agreed that it would not "continue or again engage in the manufacture of water hammer arresters or make any information regarding such devices available to any third parties for a period of ten (10) years" from the date of the sale (R. 33).

Thus, at the time the case was tried respondent could have had no interest in the validity of petitioner's patent, unless there was some liability for any infringements committed by the respondent prior to the sale of its business.

But, before the trial of the case the petitioner conceded that the respondent had not infringed his patent and absolved the respondent from any liability for past infringement. This appears in the record (p. 25) previously

presented to this Court in case No. 717, October Term 1946.

Consequently, at the time this case was tried there was no controversy whatever between the respondent and the petitioner and the trial, therefore, was not an adversary trial nor was the decision upon any issue then existing between the parties.

Respondent chose not to reveal the fact that it had "as a business expedient" (R. 30), sold its business to the Wade Manufacturing Company and deliberately concealed and suppressed the fact that it had agreed that it would not engage in the business affected by the patent for a period of ten (10) years. Respondent, having gone out of the business, and having been absolved of any liability for past infringement, nevertheless, continued the action and insisted that it was entitled to a judgment respecting the validity of the patent.

Since the respondent had withdrawn from the business, and there was no substitution or joinder of the assignee of the business, there was no adversary party before the Court who had any legal interest in the validity of petitioner's patent.

It is plain to see why this fraud was perpetrated. The purpose of it, obviously, was to shield the purchaser of respondent's business so that said purchaser would in no way be affected by any judgment which might have been rendered favorable to the petitioner.

When this matter was first called to the attention of the Court of Appeals in petitioner's motion to dismiss the action on the ground that it is not being prosecuted by the real party in interest (R. 15), respondent filed affidavits (R. 25-31) falsely asserting that its arrangement with Wade Manufacturing Company was not a sale but established an agency.

Even when challenged, respondent stubbornly persisted in concealing from the Court and from the petitioner the true nature of its relationship with Wade Manufacturing Company. That was discovered by the petitioner only when he took discovery depositions in a subsequently filed suit. Prior to that time, petitioner had no knowledge, and no means of ascertaining, what that relationship was.

As soon as petitioner did discover that relationship, he demanded production of the contract which is now in evidence (R. 31) and called the whole matter to the attention of the Court of Appeals in the petition to vacate the judgment (R. 1), the decision upon which he asks this Court to review.

It is clearly the law, established by controlling decisions of this Court, that fraud vitiates a judgment obtained

“in cases where by reason of something done by the successful party to a suit, there was, in fact no adversary trial or decision of the issue in the case.”

U. S. v. Throckmorton, 98 U. S. 61, 65.

It is true that in the case of *U. S. v. Throckmorton*, *supra*, the judgment was sought to be set aside by an independent bill in equity, whereas in the case at bar, the same result is sought to be achieved by a petition addressed to the Court before which the fraud was committed. That this is an immaterial distinction is clear from the decision of this Court in *Hazel-Atlas Glass Company v. Hartford-Empire Company*, 322 U. S. 238.

By deliberately suppressing and concealing the fact that respondent had no interest in the litigation, and by failing to join or substitute the Wade Manufacturing Company, there was before the Court no evidence that anyone was engaged in a business which might be affected by the patent in suit.

By this fraud, petitioner was prevented from exhibiting

fully his case because no issue between him and any party having an interest in the patent was presented. *U. S. v. Throckmorton*, 91 U. S. 61, 65, 66.

The trial court knew nothing about this, nor did the petitioner. The discovery was made only after the case was in the Court of Appeals. When in that Court the respondent's right to maintain the action was first challenged, respondent asserted that right by false affidavits.

Clearly, the fraud in this case was practiced directly upon the petitioner and is the kind of fraud which has come to be called "extrinsic", which in *U. S. v. Throckmorton*, *supra*, is the kind of fraud from which relief will be granted.

The order of the Court of Appeals denying the petition to vacate the judgment on the ground of fraud is clearly in direct conflict with the decisions of this Court in *U. S. v. Throckmorton* and *Hazel-Atlas Glass Company v. Hartford-Empire Company*, *supra*.

Point II.

The Court of Appeals erroneously construed Rule 25(c) of the Federal Rules of Civil Procedure as though the question of substitution or joinder in the case of a transfer of interest or devolution of liability need not be submitted to the trial court.

As the Court of Appeals did not render an opinion when it denied the petition to vacate the judgment, it is not known to what extent the Court was misled by the argument of the respondent that maintenance of the suit by the respondent is expressly authorized by Rule 25(c) of the Federal Rules of Civil Procedure.

Said Rule 25(c) reads as follows:

"Transfer of Interest. In case of any transfer of

interest, the action may be continued by or against the original party, unless the court upon motion directs the person to whom the interest is transferred to be substituted in the action or joined with the original party. Service of the motion shall be made as provided in subdivision (a) of this rule."

While the foregoing rule refers only to cases of "transfer of interest", it is clear that it must also apply to cases of devolution of liability, because the rule was patterned upon § 83 of the New York Civil Practice Act (1937) which includes the latter type of case.

In its argument below, respondent took the position that the foregoing rule expressly authorizes and permits the respondent to continue the action notwithstanding that there has been a transfer of interest.

In taking that position, respondent ignores completely the provision of the rule "unless the court upon motion directs the person to whom the interest is transferred to be substituted in the action or joined with the original party."

It seems too clear for argument, therefore, that the foregoing rule does not expressly permit an original party to continue an action where there has been a transfer of interest. He may do so only if the Court does not, upon motion, direct a substitution or joinder. The rule plainly contemplates that litigants and lawyers will be honest in their dealings with the Courts and that where there has been a transfer of interest or devolution of liability the matter will be called to the Court's attention and to the attention of the adverse party. Thereupon a motion could be made to the Court that it direct substitution or joinder.

In the case at bar, the respondent chose to conceal and suppress the fact that there had been a transfer of interest or a devolution of liability. The petitioner had no opportunity to move the Court for a substitution or joinder

of the real party in interest, and had no opportunity to face a real adversary so that a judgment equally binding upon both sides might result.

We have been unable to find any reported case construing Rule 25(c) in the manner urged by the respondent and apparently accepted by the Court of Appeals.

The question of proper interpretation of Rule 25(c) is an important question in Federal practice and should be decided by this Court.

Clearly, it was not intended that the provisions of this Rule 25(c) should be carried out at the whim or election of the parties. On the contrary, it appears definitely to be the purport and intent of the rule that questions of substitution and joinder shall be submitted to the Court for decision and that the parties must follow the direction of the Court.

Conclusion.

The petition for a writ of certiorari to the Circuit Court of Appeals for the Seventh Circuit should be granted.

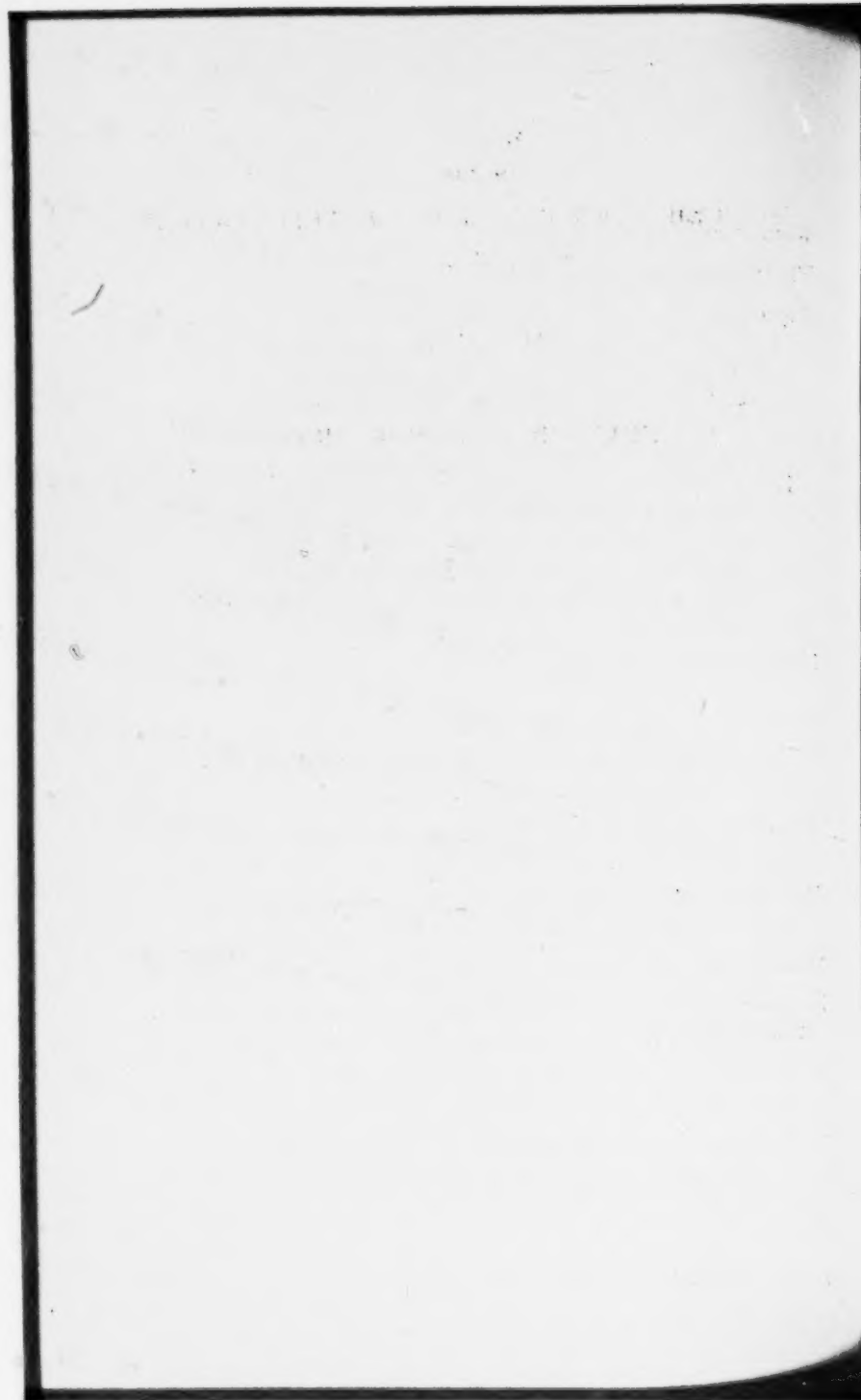
Respectfully submitted,

HAROLD OLSEN,

Counsel for Petitioner.

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EDWIN B. H. TOWER, JR.,
Petitioner

vs.

WATER HAMMER ARRESTER CORP.,
Respondent

**BRIEF OF RESPONDENT IN OPPOSITION TO
PETITION FOR WRIT OF CERTIORARI**

May It Please the Court:

This petition, like the petition first filed in this case and denied by this Court on January 10, 1947, wholly fails to disclose the real situation in the instant case; again its "Summary and Short Statement of the Matter Involved" is such that it requires correcting and supplementing. We accordingly make the following

Restatement of the Facts

A copy of the patent in suit, No. 2,273,766 for Water Hammer Arresters, granted to petitioner on February 17, 1942, has not been made a part of the record by petitioner for the inspection of the Court. Respondent was not consulted in the preparation of the record and was first advised

by petitioner of the proceedings before this Court after the record had been filed and when a copy of the Petition for Certiorari was served upon its counsel. The record as filed is incomplete in many details and does not comply with Rule 38 of the Rules of this Court.

Petitioner is a patent attorney practicing his profession at Milwaukee, Wisconsin (oR, p. 78).^{*} In April, 1937, he was retained by the Fleming Manufacturing Company to prepare and file a patent application upon a water hammer arrester then being manufactured and sold by the Fleming Manufacturing Company (oR 48a; 54a).^{**} When respondent was organized in April, 1939, as the successor to the water hammer arrester business of the Fleming Company, which included the filing of the patent application for which petitioner had been employed, he continued to act as attorney for respondent (oR 75a; 76a).^{***}

Although adequate data to prepare the patent application was immediately made available to petitioner in 1937 (oR. 49a-52a), there was constant and unreasonable delay on his part in preparing satisfactory claims and in submitting

^{*}Designation oR adopted to indicate original record in this case.

^{**}In the original proceedings, respondent called attention to the fact that petitioner persuaded the Circuit Court of Appeals to permit him to prepare an abbreviated printed record on appeal, in the form of an appendix. Respondent was forced to supply much additional necessary matter in a separate appendix. The printed "record" filed in this Court consisted of these separate appendices plus the proceedings in the Circuit Court of Appeals. There was a consequent duplication in the numbering of some of the pages and, accordingly, we cited references to respondent's appendix, as "R-a" and shall do so here. Moreover, the printed record filed in this Court did not include any of the documentary exhibits in this case. They were a part of the original transcript of record which we understand has been lodged here. Such of respondent's exhibits as we shall have need to refer to will be designated thus, "PX—". In this proceeding, petitioner has not included any of these exhibits. The record is wholly incomplete.

^{***}This is also confirmed by PX-69; PX-109; PX-110, and see Findings of Fact Nos. 70, 71, 72 (oR. 53).

a properly drawn application to his client for execution. In September, 1939, the inventor of the device reminded petitioner that more than two years had elapsed since the application was ordered, exhorting him to complete and file the application immediately "on the basis of the facts as you have them" (PX-4). Petitioner replied on September 12, 1939, saying "I am now revising the application and it will be ready some time next week" (PX-5). For more than ten months thereafter nothing was heard from petitioner. On July 24, 1940, he forwarded a proposed application to the inventor who returned it unsigned, saying "In view of your delay in preparing this patent application, it no longer has any value to me." (PX-7). An application for patent was then (July, 1940) barred by reason of the public sale and use which had been made by the Fleming Company more than two years earlier, as appears from the concurrent findings of the courts below.*

Within four days from the receipt of the inventor's letter returning the unsigned application, petitioner filed a patent application in the United States Patent Office showing the "same device" which had been shown in the application submitted to the inventor (oR. 299a-300a), but listing petitioner as sole inventor of the subject matter and making the statutory oath that he believed himself to be the original and sole inventor and that the device had not been on sale or in use in this country for more than two years before the filing of the application, matters which were manifestly known to petitioner to be untrue. Although petitioner then sought to collect the extraordinarily fantastic fee of \$12,978.76 for his services rendered to the Fleming Company and to respondent in the preparation of the patent application, he never advised or notified respondent, or the Fleming Company, or the original inventor, that the patent application had been filed in petitioner's name.

*See Findings of Fact Nos. 24, 25, 31 (oR. 43, 45) and Opinion of Court of Appeals (oR. 449).

Petitioner was thus guilty of committing a fraud upon the Patent Office. Without knowledge that the oath accompanying the application filed by petitioner was false, the Commissioner of Patents issued petitioner's patent to him.

Knowledge of the action taken by petitioner first came to respondent in February, 1942, when petitioner twice charged respondent with infringement (PX-75, 77) of patent No. 2,273,766 which the Commissioner had granted to him. At the same time, petitioner notified the Cook Electric Company, a supplier of materials to respondent, of its alleged infringement of the purported patent (PX-76).

This action was thereupon instituted by respondent under the Federal Declaratory Judgment Act (§ 274d Judicial Code; 28 U. S. C. § 400). The complaint averred that petitioner had charged respondent with infringement of the patent obtained by him (oR. 2), that respondent was then manufacturing and selling and intended "in the future to manufacture and sell" the devices accused by petitioner (oR. 3), and denied that respondent's "manufacture and sale is in violation of any legal right" of petitioner under his purported patent (Ibid.). By reason of this, it was averred "an actual controversy now exists between the parties hereto respecting the matter of validity of said Letters Patent No. 2,273,766 and the charge of infringement." (Ibid.). After setting forth in more detail the pertinent facts, i.e., that the accused devices were like or substantially like devices manufactured and installed by the Fleming Company in 1936, of which Exhibits 1 and 2 attached to the complaint were illustrative (oR. 3), that the relationship of attorney and client had theretofore existed between petitioner and respondent and respondent's predecessor in respect of the very subject matter of petitioner's purported patent (oR. 4-5) and that petitioner had been guilty of a dereliction of duty in falsely claiming the invention as his

own (oR. 6-7), the complaint not only requested an adjudication of noninfringement but also expressly prayed (oR. 10):

“That the Court adjudge and declare said Letters Patent No. 2,273,766 to be invalid and void;”

Petitioner did not concede noninfringement in his answer. On the contrary, while asserting that the 1936 Fleming device did not embody the subject matter of his purported patent (oR. 12), because as he averred it was “an experimental appliance which was unsuccessful and inoperative” (oR. 15), he persisted adroitly in the charge of infringement by asserting that the respondent’s accused device was not the “same or substantially the same” as the water hammer arresters shown in Exhibits 1 and 2, being the 1936 Fleming installations (oR. 14-15). All other material allegations in the complaint were denied by petitioner and he accepted the challenge to the validity of his purported patent by insisting that he had, in fact, made the invention disclosed and claimed therein (oR. 22) and by otherwise contending that it was good and valid in law.

Petitioner’s attempt on the eve of trial to concede noninfringement and thus avoid a trial on the issue of validity which had been tendered by the complaint and joined in by petitioner’s answer, took form as a motion for summary judgment (oR. 24-25). As found by the Court of Appeals, the motion was based upon alleged facts which are unsupported by the evidence (oR. 442-444). Moreover, in the exercise of sound discretion, the trial court denied the motion, and after a trial on the merits disposed of a renewal of the contention that no jurisdiction for declaratory judgment existed by occasion of the concession of noninfringement, by holding that an actual controversy existed at the time of the commencement of this action and “still exists in spite of defendant’s (petitioner’s) belated conclusion of noninfringement,” that petitioner should not be per-

mitted to deprive respondent of a judgment as to the validity of the purported patent and that "ascertainment of uncertain rights" was clearly in furtherance of the spirit and objective of the Federal Declaratory Judgment procedure (oR. 33).

Petitioner attempted on the eve of the argument before the Court of Appeals to avoid a review on the merits by filing a motion to dismiss on the ground that the action was not being prosecuted by the real party in interest. He contended that respondent had sold its business to the Wade Manufacturing Company and that respondent did not then have such interest as to warrant maintaining a declaratory judgment action upon the patent in suit. An affidavit by a professional investigator, Ulmont O. Cumming, (R. 63) accompanied the motion. Respondent immediately refuted the incorrect statements in this affidavit by counter affidavits of James C. Wade, Vice President of Wade Manufacturing Company, George Edwards, President of Wade Manufacturing Company, and Louis Weinhagen, chairman of the board of respondent (R. 25 *et seq.*). The Weinhagen affidavit states that respondent did not sell its business, assets or good will and that Wade Manufacturing Company is acting for it in the manufacture and sale of arresters, paying to respondent compensation for each and every arrester sold. The Edwards affidavit expressly states that the Wade Company has not purchased respondent company. Wade in his affidavit denies that he ever told Cumming that respondent no longer had any interest in the water hammer arrester business. He also denies that he told Cumming that no royalty or compensation was being paid to respondent. The Court of Appeals denied the motion.

The license agreement (R. 31) entered into between Wade Manufacturing Company and respondent expressly states

at the end of paragraph 7 (R. 36) that Wade has not assumed the business of respondent. It also expressly states in paragraph 2 that respondent shall receive a remuneration of five per cent of the net receipts of one type of arrester and seven and one-half per cent of the net receipts of another type of arrester. The parties expressly agree in paragraph 5 "to cooperate and work in harmony with each other in marketing the arresters". Respondent did not sell its trade name, good will, manufacturing equipment, etc., but merely permitted Wade to do the manufacturing of the arresters and to cooperate and work in harmony with respondent in marketing the arresters. At the end of ten years, Wade may have the right to continue to do the actual manufacturing, but, if it does not, respondent will continue to do so. On the other hand, if at any time Wade is in default of payment of compensation on the net receipts or in default with respect to any of the other covenants, the agreement terminates and respondent will again do the actual manufacturing.

The "Questions Presented"

From the foregoing restatement of the facts, it is quite evident that the questions posed by petitioner and said to arise in this case are not warranted by the real situation. As this Court consistently refuses to decide questions for which there is no substantial basis in the particular facts of a case (*Southern Power Co. v. North Carolina Pub. Serv. Co.*, 263 U. S. 508; *United States v. McFarland*, 275 U. S. 485; *Missouri-Kansas-Texas R. R. Co. v. Texas*, 275 U. S. 494), we make these preliminary observations of petitioner's spurious questions:

1. They assume that respondent has sold its business to a third party, has agreed that it will not continue or again engage in that business for ten years and that it has been

absolved by petitioner from any liability for past infringement.

Not so. The license agreement (R. 31) shows on its face that respondent has not sold its business, that it has not agreed not to continue or again engage in the business for a period of ten years and that petitioner has not absolved respondent of liability for past infringement.

2. They assume that petitioner has been prevented from fully exhibiting his case.

Not so. The evidence established beyond any peradventure that petitioner as a patent counsel was engaged to prepare and file on behalf of his client an application for letters patent on the water hammer arrester in question, and that, after more than three years of dilatory tactics, he deliberately and wilfully filed an application in his own name after being dismissed by his client and secured the issuance of a patent thereon without advising the Commissioner of Patents of the true facts, whereupon he notified his client and one of its suppliers of infringement of the patent for the manufacture and sale of the same arrester made by the client before petitioner was hired. Petitioner was given every opportunity by the trial court to disprove the evidence of respondent. This petitioner could not do, but, instead, supported the proofs of respondent by the proofs he offered. The reported opinions of the trial Court and the Court of Appeals will be found at 66 F. Supp. 732 and 156 F. (2) 775. A second opinion of the trial Court appears at 75 U. S. P. Q. 43.

3. They assume that there was no adversary trial or decision upon the issue.

Not so. Petitioner's notices to respondent and its supplier that the devices made and sold by respondent at the time the patent issued in 1942 were an infringement of his patent created an actual controversy and gave respondent the right to file its suit under the Declaratory Judgment Act. *Aetna Life Insurance Co. v. Haworth*, 300 U. S. 227, 57 S. Ct. 461, 81 L. Ed. 617;

Tremond Co. v. Schering Corporation, 122 F. (2) 702 (C. C. A. 3); *Milwaukee Gas Specialty Co. v. Mercoid Corporation*, 104 F. (2) 589 (C. C. A. 7). Irrespective of the position created by respondent's arrangement with Wade more than a year after the suit was filed, respondent remained liable for all arresters sold between the date of issuance of the patent on February 17, 1942, and the date of the Wade agreement on October 2, 1943, and also liable for arresters sold prior to February 17, 1942, but still being used by its customers after February 17, 1942. *Alfred Hofmann, Inc. v. Knitting Machines Corporation*, 123 F. (2) 458, (C. C. A. 3).

As found by the Court of Appeals, the motion of petitioner attempting to concede noninfringement was based upon facts which beyond peradventure were unsupported by the evidence. The motion assumed and alleged that all of the accused devices had a 1/16 inch clearance between the bellows and the casing, and not a "close fit" as described in the patent and claims (oR. 24). But neither the patent claims nor its specification contained any limitation to a "close fit" and some of respondent's devices had less clearance than 1/16 inch. Since neither petitioner nor his expert (oR. 291a) was able to fix the precise limitation which constituted a "close fit", since the evidence showed that petitioner's patent was predicated upon devices disclosed to him by respondent's predecessor, the Fleming Company, which had clearances ranging from 1/32 inch to 3/64 inch, and since also the accused devices were substantially the same as these earlier Fleming devices, it was held by the Court of Appeals that the alleged concession of noninfringement did not give respondent the relief to which it was entitled (oR. 444).

4. They assume that there was a transfer of interest and respondent no longer had any interest in the litigation.

Not so. The evidence in the case which petitioner elected not to bring before this Court in the record filed herein, unless the original record is referred to, shows that respondent had a vital interest in the outcome of the litigation and that it was respondent's duty to maintain the action to have petitioner's patent held invalid.

ARGUMENT.

I.

THE FACTS IN THIS CASE DO NOT SUPPORT THE ARGUMENT THAT THERE WAS NO ADVERSARY TRIAL AND THAT THE JUDGMENT WAS OBTAINED BY THE PREVAILING PARTY BY FRAUDULENT CONCEALMENT OF ITS LACK OF INTEREST IN THE LITIGATION.

Petitioner's argument under Point I presupposes that there was no longer any justiciable controversy between the parties at the time of the trial because petitioner had sold its business, and although there was liability for infringement committed prior thereto by the sale and use of accused arresters, petitioner had conceded that respondent had not infringed his patent and had absolved the respondent from any liability for past infringement. The argument is untenable in that it ignores the facts actually established at the trial. As the Appellate Court clearly pointed out, petitioner contended that all of respondent's early devices were inoperative until it was shown by actual demonstration of early installations that these early devices were operative and, in fact, had been in continuous commercial use, whereupon petitioner shifted to the position that the only arresters respondent or its predecessor ever made, used or sold had a 1/16 inch clearance and that they did not have the close fit as described in the patent and its claims. Notwithstanding that the patent failed to define the "close fit" in any dimensional figure, petitioner contended that the "close fit" as intended by the patent meant a clearance of 1/32 inch and not 1/16 inch. At the trial respondent established that it made and sold arresters and had the same in use that had a 1/32 inch clearance and that the clearance of 1/32 inch was not critical to secure the throttling action of the water being squeezed from between the convolutions of the bellows into the restricted passage between the casing and the outer periphery of the bellows. Even petitioner and his expert admitted that the 1/32 inch clearance was not

critical because clearances of greater dimensions would also produce the throttling action.

The District Court's discretion was soundly exercised in favor of retaining the patent validity controversy despite the alleged concession of noninfringement. Such action by the District Court comported with the standards of good judicial administration and was properly approved by the Court of Appeals.

Petitioner did not, therefore, concede noninfringement and "absolved the respondent from any liability for past infringement", and inasmuch as petitioner admits on page 9 of his brief that respondent did have some liability for infringements committed by the respondent prior to the Wade license agreement, the entire contention of petitioner fails. In like manner, the erroneous assumption and improper characterization of the Wade arrangement as being a sale of the business by respondent, which divested it of all interest to maintain the litigation, are based not upon the facts in the case.

Petitioner's argument wholly ignores these salient factors: petitioner himself created an actual controversy when he applied for and obtained in his own name a patent for a device disclosed to him by his client; petitioner sharpened that controversy and made it definite and concrete when he asserted the validity of his purported patent against his former client and charged infringement; and the complaint in this action directly placed the validity of petitioner's purported patent in issue and prayed for a declaratory judgment of invalidity.

Much more than mere infringement was present in the controversy in these circumstances. As of the date on which the complaint in this case was filed, the parties hereto had adverse legal interests in respect to the validity of a patent which not only covered a device which respondent and its

predecessor had manufactured since 1936 and which formed the very basis of the patent, but which had been obtained by petitioner in violation of the duties owed by an attorney to his client as well. Entirely apart from the continuance of charges of infringement, the prior fiduciary relations of the parties were susceptible of an immediate and definitive determination of the legal rights of petitioner to his patent.

The circumstances and facts in this case do not show that failure of access to the Wade license agreement prevented petitioner from fully exhibiting his case. *U. S. v. Throckmorton*, 98 U. S. 61, 65.

II.

A JUSTICIABLE CONTROVERSY EXISTED BETWEEN PETITIONER AND RESPONDENT AT THE TIME OF THE TRIAL, AND THE RECORD IS WHOLLY DEVOID OF ANY SHOWING THAT THE COURT OF APPEALS MISCONSTRUED RULE 25(c) OF THE FEDERAL RULES OF CIVIL PROCEDURE.

As previously pointed out herein, an actual controversy existed between petitioner and respondent at all times and petitioner did not absolve respondent of liability for past infringement prior to the trial. As the Court of Appeals held, the facts do not support petitioner's alleged admission. Petitioner's recognition of respondent's liability for infringement prior to the Wade agreement and the Court's rejection of petitioner's purported admission of noninfringement as not supported by the facts in the case, render the question raised as Point II of petitioner's argument moot.

Petitioner should not be permitted to escape his responsibility in this case by contending that respondent no longer has any interest in this litigation at the time of the trial. The Wade agreement contemplated no sale of the business and clearly exhibits the interest retained by respondent in the water hammer arrester business. By this agreement

respondent is obliged to cooperate and work in harmony with the Wade Company in marketing the arresters (R. 35) and it receives a specific remuneration for each arrester made and sold. Any adverse ruling as to validity would terminate all the benefits and rights respondent has in the Wade agreement and would deprive respondent of its right further to manufacture and sell its water hammer arresters.

CONCLUSION.

This case does not involve any principles, settlement of which is of importance to the public as distinguished from the parties, and there is no real and embarrassing conflict of opinion and authority between the Circuit Courts of Appeals.

It is respectfully submitted that the petition for a writ of certiorari should be denied.

Respectfully,

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RALPH W. BROWN,
SIDNEY NEUMAN,

Counsel for Respondent.